

ARTICLE APPEARED
ON PAGE C-2

WASHINGTON POST
21 February 1985

THE FEDERAL DIARY

Plans for Pensions

By Mike Causey
Washington Post Staff Writer

The Senate could vote as early as June on a radical new federal-postal pension plan that would base retirement benefits on a combination of civil service, social security and the earnings on a proposed tax-sheltered savings plan.

If approved by Congress and the White House, the new program proposed by Sen. Ted Stevens (R-Alaska) would go into effect next year. It would automatically cover several hundred thousand civil servants who have joined the government since January 1984.

Federal workers hired before 1984, the bulk of the government's 2.6 million employees, would have the option of staying in their current retirement program or buying into the new one.

Employees could shelter a sizable portion of their incomes from federal taxes in the savings plan. The government would contribute \$2 for each \$1 a worker invested, up to 4 percent of salary.

Stevens plans a series of eight hearings in March and early April before his subcommittee of the Senate Governmental Affairs Committee. Full committee action is expected shortly after that, and the bill could be ready for action by the full Senate in June or July.

The House is also expected to work up a supplemental retirement plan to cover newer federal workers. Those workers are in retirement-plan limbo now: Congress temporarily put them under social security and the civil service retirement program pending establishment of a new system.

The new feds pay 7.05 percent of salary into social security, but nothing into the civil service retirement fund. Workers hired before 1984 put 7 percent of salary into the civil service retirement plan but pay only the 1.3 percent Medicare portion of social security.

Under the Stevens bill, which could be modified after the hearings, an employee would

have to work until age 62 to qualify for full benefits.

Workers can now retire at 55 with 30 years service on about 53 percent of salary, or work 42 years to get an annuity equal to 80 percent of salary.

Congress must come up with a supplemental retirement program by the end of this year. The only question is what kind of plan it will be. The upcoming hearings should give feds a pretty good idea of what to expect.